



Attorney General Jon Bruning

News Release

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AG Bruning Warns of Payday Loan Scam and Risky Trial Offers

March 6-12 is National Consumer Protection Week

Note: A sound bite on this topic is available at: <http://www.ago.ne.gov>

LINCOLN - Attorney General Jon Bruning today announced the 2011 National Consumer Protection Week begins Sunday, March 6. AG Bruning was joined by Better Business Bureau President Jim Hegarty, U.S. Postal Inspector Dave Margritz, Lincoln Postmaster Kerry Kowalski and Assistant U.S. Attorney Paul Boeshart to focus on two consumer topics: an aggressive payday loan telephone scam targeting Nebraskans and the risks involved with free trial subscription and membership services.

"The number and variety of scams continues to grow," said Lincoln Postmaster Kerry Kowalski. "Consumers must protect themselves and verify that offers and businesses are legitimate prior to providing any personal information or form of payment."

Payday Lender Telephone Scam

In these scams, a caller claims that the victim is delinquent in a payday loan that must be repaid immediately to avoid legal consequences. The scammers pose as representatives of the FBI, a law firm or another legitimately-named agency. The scammers claim to be collecting debts for companies such as United Cash Advance, U.S. Cash Advance, U.S. Cash Net and other Internet check cashing services.

One of the most insidious aspects of this scam is the callers have accurate information about the victims, including: Social Security numbers, dates of birth, addresses, employer information, bank account numbers, and names and telephone numbers of relatives and friends. According to the FBI, fraudsters may be obtaining the victims' personal information from completed online applications for other loans or credit cards.

The fraudsters relentlessly call the victim's home, cell phone and place of employment. They refuse to provide to the victims any details of the alleged payday loans and become abusive when questioned. The callers threaten victims with legal actions, arrests and, in some cases, physical violence if payment is not received. In many cases, the callers resort to harassment of the victim's relatives, friends and employers.

Some fraudsters instruct victims to fax a statement agreeing to pay a certain dollar amount, on a specific date, via prepaid visa card. The scammers also require a statement declaring that the victim will never dispute the debt.

Bruning warned that these telephone calls are an attempt to obtain payment by instilling fear and encouraged consumers not to follow the instructions of the callers.

Instead, consumers should:

- Contact the payday lender directly to verify outstanding debt.
- Contact banking institutions.
- Contact the three major credit bureaus request an “alert” be put on file.
- File a complaint at www.IC3.gov.

In addition, Bruning urged consumers to contact law enforcement if they feel they are in immediate danger.

Free or Fee?

From magazines to weight loss products - any number of things can be offered on a planned, pre-paid basis. Solicitations for these services can come through the mail, via e-mail or over the phone. Often, trial periods are used to lure consumers into service contracts. However, trial periods can be short and cancellation policies may be difficult to understand – and even harder to activate.

“Offers of free goods and trial services may be hard to pass up,” Bruning said. “Unfortunately, many *free trials* wind up costing consumers more than what they bargained for – in time and money.”

Bruning reminds consumers to ask questions about membership terms such as billing and cancellation policies. Consumers should request all terms in writing before agreeing to a program. And, contract fine-print should be read carefully, paying attention to pre-checked boxes that may commit consumers to further charges and/or services unless specifically opted-out of. This policy is referred to as negative-option cancellation.

Contract terms may be printed in small fonts in single-spaced paragraphs making reading difficult, especially for seniors. Additionally, undefined legal terms may leave consumers confused about the actual meaning of the conditions. Bruning warns consumers not to agree to trial offers, or sign contracts, if the terms and conditions are not fully understood.

“Deceptive marketing practices associated with free trial memberships containing a negative option feature, are the source of thousands upon thousands of complaints to this agency,” said Better Business Bureau President, Jim Hegarty. “When these offers lack the transparency they should contain, they can trick consumers into a cycle of recurring payments for products or services they don’t want.”

Hegarty also urged consumers to review credit card statements for unauthorized recurring charges.

For more information on these and other consumer issues, visit www.ago.ne.gov, www.ncpw.gov, www.bbb.org or call the Consumer Protection Hotline at 1-80-727-6432.

Sources: Attorney General’s Office Consumer Protection Division, Federal Bureau of Investigation, Federal Trade Commission and the Better Business Bureau.